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UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Communications and Information
Washington, D.C. 20230

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

The Honorable Reed Hundt
Chairman
Federal Communications Commission
1919 M Street, N.W., Room 814
Washington, D.C. 20554

Re: Amendment of the Commission's Rules to Establish New Personal Communications Services (GEN Docket No. 90-314, ET Docket No. 92-100)

Dear Chairman Hundt:

The National Telecommunications and Information Administration (NTIA) would like to reaffirm the Administration's commitment to the development of new wireless services based on emerging technologies, including personal communications services (PCS). Such services are an important part of the National Information Infrastructure (NII). As evidenced by its efforts in a variety of proceedings, the Commission is developing a framework to implement PCS that will both promote competition and allow the provision of a wide range of services.[1/]

The Commission's planned allocation scheme for PCS, set out in its Second Report and Order, 8 FCC Rcd 7700 (1993), represented a major step forward in making PCS a reality. In that decision, the Commission made a commendable effort to achieve a reasonable balance among myriad competing interests in this area. Nevertheless, NTIA believes there are a number of significant improvements that can be made in the allocation scheme established in the Second Report and Order, and this letter sets forth the Administration's views in that regard.

First, NTIA recognizes the importance of providing sufficient spectrum to allow unlicensed PCS products to be fully developed. Such products can provide a wide variety of voice and data

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1/ The Administration is also actively considering a new National Electronics Manufacturing Initiative. Working with industry, the Federal Government is examining the technology and policy issues that will influence the ability of U.S. companies to manufacture the "information appliances" that will connect to the NII. Many of these devices are expected to be small, lightweight and mobile. The Commission's allocation decisions for both licensed and unlicensed PCS will have a significant impact on the ability of U.S. firms to compete in this market.

services. Nevertheless, in light of the competing demands for the spectrum in this band, NTIA recommends that the Commission consider, if necessary, a slight reduction from the 40 MHz allocated in the Second Report and Order for unlicensed PCS to 30 - 35 MHz. Because of the special needs of unlicensed PCS for unencumbered spectrum, however, we also recommend that the 1910-1930 MHz band, which is relatively lightly occupied by microwave users, be included in any allocation for unlicensed PCS. Furthermore, it does not appear imperative that the entire unlicensed PCS allocation necessarily must be in one contiguous block, rather than, for example, in two blocks of nearly equal size.

With regard to licensed PCS, NTIA believes that the three "large" blocks of spectrum should contain equivalent allocations of spectrum. NTIA urges, therefore, that on reconsideration the Commission refine its allocation to licensed PCS to create three 30 MHz licenses, in addition to several 10 MHz blocks.[2/] Moreover, when selecting the spectrum blocks (e.g., 30 MHz and 10 MHz segments) for PCS, there are many technical and operational advantages from having a common separation between transmitter and receiver frequencies.

NTIA also encourages the Commission to adopt NTIA's original proposal to establish licensing areas based on the "economic areas" defined by the Department of Commerce's Bureau of Economic Analysis (BEA). These 183 economic areas offer a reasonable compromise between license areas based on Rand McNally's 47 "Major Trading Areas" (MTAs) and 487 "Basic Trading Areas" (BTAs). The Commission apparently recognizes that neither MTAs nor BTAs provide a wholly satisfactory means of advancing the various public policy goals of this proceeding. Hence, the Commission's plan includes both types of geographic areas in an attempt to balance the interests served best by "larger" areas with those advanced by "smaller" areas. However, granting PCS licenses of two geographic proportions unnecessarily complicates the licensing and competitive bidding process, adds to the administrative burden on the Commission, and potentially creates competitive inequities (as some bidders would be limited to pursuing licenses in the smaller areas). By adopting economic areas and allowing parties to aggregate licenses, the Commission could achieve the same results it believes are fostered by MTAs,

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2/ As NTIA stated in its letter of September 14, 1993, each incumbent cellular provider should be prohibited from acquiring any of the 30 MHz licenses in its current service area, and no more than one of the 10 MHz licenses.

while eliminating some of the complexity and potential competitive inequities of the current licensing scheme.

In addition, NTIA recommends that the Commission, when reconsidering its PCS allocation plan, take into account the needs of the Mobile Satellite Service (MSS) community. MSS initiatives by U.S. industry could play a major role in the development of both domestic and international telecommunications and information infrastructures (i.e., the Global Information Infrastructure (GII) as well as the NII). Hence, NTIA believes it is in our national interest to provide consistent and reasonable levels of spectrum allocation support for MSS in both domestic and international fora. In particular, care must be taken to balance U.S. Government actions and not detract from existing technological world leadership and competitive positions built by the U.S. telecommunications and aerospace industries.

At the International Telecommunication Union's (ITU) World Administrative Radio Conference in 1992 (WARC-92), the United States, on the Commission's recommendation, proposed additional frequency allocations for MSS. That recommendation was based on advice from the private sector through a Commission advisory committee. There was considerable opposition to the U.S. MSS proposals at WARC-92, especially from members who advocated terrestrial allocations rather than satellite allocations. After extremely contentious negotiations, a consensus was reached on spectrum allocations for both terrestrial and satellite mobile communications. The consensus provided 60 MHz (two 30 MHz blocks) of spectrum allocated globally for MSS and an additional 20 MHz (two 10 MHz blocks) of spectrum allocated for the Western Hemisphere (Region 2). In addition, the United States was able to provide for the use of this spectrum in the United States as much as nine years earlier than in other countries. A Commission decision to use most of this spectrum solely for terrestrial services would forfeit these advantages and could undermine the ability of the United States to achieve favorable spectrum allocation decisions at future radio conferences, the next of which will take place in 1995.

Thus, in order to maintain U.S. credibility in the ITU and other international organizations, spectrum identified for MSS should be consistent with existing regional and international allocations. NTIA also believes that if there must be choices, there is merit in supporting global over regional allocations for MSS and, in particular, in preserving the availability of the 60 MHz of spectrum allocated globally for MSS in these bands. However, if this is not possible in light of the strong competing interests, NTIA recommends that the Commission attempt to find a near equivalent amount of spectrum that would provide for the

long-term needs of the MSS community. To achieve this result, NTIA recommends that the Commission give careful consideration to the number and placement of the 10 MHz blocks for PCS and the potential impact on flexibility and possible future allocation initiatives.[3/]

Finally, NTIA commends the Commission for its decisions thus far regarding preferences for designated entities. NTIA reemphasizes the importance of providing greater opportunities for participation in the competitive bidding process by groups currently underrepresented in telecommunications industries, such as businesses owned by members of minority groups or women, as well as small businesses and rural telephone companies.

When I testified on the NII last week before the House Subcommittee on Minority Enterprise, Finance, and Urban Development, I noted that according to available data, minority-owned businesses are significantly underrepresented in many telecommunications businesses. For example, a market study performed by Symbiont, Inc. for the Commerce Department's Minority Business Development Agency in 1991 identified only 11 minority firms engaged in the delivery of cellular, specialized mobile radio, radio paging, or messaging services.

Moreover, and critically important in light of the use of competitive bidding to award PCS licenses, I noted in my testimony that NTIA has information from several sources that shows that improved access to capital is needed to increase minority participation in the telecommunications industry. According to the Commission's own Small Business Advisory Committee, capital formation has been and remains one of the major economic barriers to full participation in telecommunications markets by small and minority-owned businesses. Reducing barriers to participation in telecommunications markets is a key part of the Administration's objective of promoting private investment in the NII, including PCS. (Enclosed is a copy of my testimony, which I request be incorporated by reference into the record of this proceeding.)

Preferences for designated entities, such as bidding credits, license set-asides, tax certificates, and installment payments, are tools available to the Commission to help firms that might otherwise find it difficult to participate in spectrum-related businesses. The use of such preferences reflects an important

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3/ We recognize that providing equivalent spectrum for MSS could require some future regulatory action both nationally and internationally.

judgment by the Federal Government that some entities may not otherwise be able to participate in spectrum-based businesses, and may be disadvantaged with respect to access to capital. It is important that the Commission consider carefully the many ways that it can assist designated entities in this regard.

In summary, it is critical to find the right balance among the competing demands for these spectrum resources. In redesigning its allocation plans for PCS, NTIA encourages the Commission to craft a solution that provides a sound basis for implementing this new service, while also carefully considering the effects of its plan on the future implementation and spectrum allocation support for other emerging technologies.

Sincerely,

Larry Irving

Enclosure

cc: The Honorable Andrew C. Barrett
The Honorable Rachelle B. Chong
The Honorable Susan Ness
The Honorable James H. Quello

TESTIMONY OF

LARRY IRVING

ASSISTANT SECRETARY FOR
COMMUNICATIONS AND INFORMATION

U.S. DEPARTMENT OF COMMERCE

ON

DEVELOPMENT OF MINORITY BUSINESS ENTERPRISES
IN THE TELECOMMUNICATIONS INDUSTRY

BEFORE THE

SUBCOMMITTEE ON MINORITY ENTERPRISE,
FINANCE, AND URBAN DEVELOPMENT

COMMITTEE ON SMALL BUSINESS

U.S. HOUSE OF REPRESENTATIVES

MAY 20, 1994

Thank you, Mr. Chairman. It is my pleasure to testify before the House Small Business Committee's Subcommittee on Minority Enterprise, Finance, and Urban Development today on minority business development in telecommunications. The Administration views this issue as an important component of its major telecommunications policy undertaking, known as the National Information Infrastructure (NII) initiative. Under the leadership of Secretary Ronald Brown, the U.S. Department of Commerce is actively seeking to promote economic opportunity for minority-owned businesses in the NII. The Administration also supports minority participation in its Global Information Infrastructure initiative, which seeks to foster telecommunications advancements around the world.

My remarks today will address issues facing minority-owned businesses that seek to participate in the NII. In this regard, I will discuss the activities of the Administration, including the involvement of the National Telecommunications and Information Administration (NTIA), which I administer. I also will discuss the specific activities of NTIA's Minority Telecommunications Development Program, or MTDP. MTDP supports development of government policies that affect minority business participation in the telecommunications industry, and develops programs and activities to encourage minority ownership of telecommunications businesses.

I also want to emphasize the activities of the Commerce Department's Minority Business Development Agency (MBDA) with respect to telecommunications. MBDA and NTIA have worked cooperatively on various projects that would increase and strengthen minority entrepreneurship in telecommunications. Additionally, NTIA has provided training on telecommunications issues to MBDA's network of Minority Business Development Centers (MBDCs). MBDCs provide business assistance to various types of minority-owned businesses around the country, including some telecommunications businesses. MBDA also commissioned a market analysis of the telecommunications industry in 1991, as discussed below.

THE NATIONAL INFORMATION INFRASTRUCTURE INITIATIVE

In this year's State of the Union Address, President Clinton called for enactment in 1994 of legislation to help ensure creation of a NII -- built around the "electronic superhighway" that has received so much media attention. Vice President Gore first announced the Administration's NII initiative in September 1993. The Administration believes that development of more advanced telecommunications and information systems in the United States can, should, and will benefit all Americans -- including members of minority groups -- by promoting economic development,

improving the delivery of health care, education, and public safety services, and improving the quality of life.

It is not an exaggeration to say that, with the advent of the NII, we are standing at the threshold of a new way of life. It is a life in which Americans will be able to live where we wish without foregoing opportunities for useful and fulfilling employment; a life in which the best education, and all the vast resources of art, literature, and science can be available everywhere, not just in elite institutions or big city libraries; a life in which health and other critically important social services can be available on-line, without waiting in line, when and where we need them.

With that vision in mind, the Administration has articulated five basic principles that should govern NII-related initiatives:

(1) Preserve and enhance universal communications service,
(2) Promote private investment in the infrastructure,
(3) Provide and protect competition,
(4) Ensure open access to the NII, and
(5) Encourage flexible and responsive government action.

The Administration has pledged, as part of its NII undertaking, to work for passage of telecommunications reform legislation this year. Accordingly, the Administration is presently working with the sponsors of major legislation now pending in both the House (H.R. 3626 and H.R. 3636) and the Senate (S. 1822) to ensure that these principles will be taken into account in legislation.

MINORITY-OWNED BUSINESSES IN THE NII

Advances in the telecommunications and information infrastructure promise to make life better for all Americans, not just a privileged few. Minority communities, and minority businesses, will benefit from widespread availability and access to advanced telecommunications and information services and facilities. We cannot simply assume, however, that all boats will rise with the incoming tide.

A key to full participation by minorities in the NII is being sure they are well-informed. In addition, the Administration must be adequately apprised of particular minority concerns. NTIA has worked vigorously during my tenure to make the minority community aware of potential for specific involvement in such initiatives.

- For example, last year I addressed organizations such as the National Association of Minorities in Cable (NAMIC), the National Association of Black-Owned Broadcasters, and the National Technical Association, the oldest association of black engineers, about the NII.

- In addition, NTIA's MTDP has made presentations to a number of minority organizations, including NAMIC, the Puerto Rico Chamber of Commerce, and interested parties at Morgan State University about the NII.

- Most recently, on Tuesday, May 17, owners and representatives of several small, minority-owned businesses met with an interagency policy committee that I chair to share their views on the NII. These minority business owners are eager to participate in upcoming advances in the information infrastructure, and we gained valuable insight into their concerns.

NTIA has also received significant input from minority business and community leaders though a series of field hearings held throughout the country on universal service and open access. Deputy Secretary of Commerce David Barram and I, with Commissioner Andrew Barrett of the Federal Communications Commission (FCC) and state officials, have conducted hearings in Albuquerque, New Mexico, and south central Los Angeles, California, on universal service. Further hearings were conducted in Durham, North Carolina, and Sunnyvale, California, on open access to the NII. Witnesses in those hearings representing small and minority-owned information service providers discussed potential obstacles to minority entities not faced by businesses that are larger and better funded. These forums assist us in focusing on minority concerns to ensure their full participation as the NII continues to develop.

Data on the Involvement of Minorities in Telecommunications

Even prior to commencement of NII initiatives, NTIA has strived to be aware of available data on the involvement of minorities in telecommunications fields, to better understand the concerns of minority telecommunications firms. With regard to the broadcast industry -- a very important part of the NII -- NTIA's MTDP has actively collected data on the participation of minority-owned businesses.

Since 1990, MTDP has issued an annual report entitled <u>Compilation and Statistics of Commercial Minority Broadcast Ownership</u>. In the 1993 report, MTDP found that, as of August 1993, there were 300 minority-controlled commercial broadcast radio and television stations in the United States, which represents 2.7 percent ownership (out of 11,021 total commercial stations). From 1992 to 1993, minority broadcast ownership decreased by ten stations.

Total participation of minorities in broadcast ownership may be somewhat higher than tabulated, because of the definition of minority ownership (more than 50 percent minority ownership) that MTDP used in collecting this data. In addition, the data in the

report was compiled from readily available sources and may not reflect all licensed stations with some minority ownership.

NTIA is familiar with other data about minority involvement in telecommunications businesses. In fact, NTIA provided technical assistance to MBDA in connection with a market study that Symbiont, Inc. performed in 1991 for MBDA on this subject.

- In general, Symbiont identified 490 minority-owned telecommunications firms, including both telephone-related and mass media firms. The study found that only one half of one percent of the total number of firms in the industry were owned by minorities.

- The study identified 15 minority cable operators in the United States -- nine black, two Hispanic, two Native American, one Asian Pacific, and one Asian Indian. This appeared to represent around two-tenths of one percent of the number of firms in the cable industry.

- The study identified only 11 minority firms engaged in the delivery of cellular, specialized mobile radio, radio paging, or messaging services.

- Minority-owned firms' greatest presence was in the telecommunications equipment manufacturing segment, where they made up 9.7% of the total number of firms.

- Revenues from all firms studied comprised less than half of one percent of total industry revenues.

- In addition, the study found that most of the minority-owned firms were small, and that access to financing was a major obstacle.

Thus, available data indicates that minority-owned businesses are generally underrepresented in telecommunications businesses. This Administration is committed to working with the Congress and the FCC to improve the existing underrepresentation of minorities in telecommunications and information industries.

Education and Training

At the hearing on universal service in Los Angeles, minority witnesses voiced concern about the need for education and training with regard to the NII, both for business owners and users of telecommunications and information services. The Clinton Administration is firmly committed to improving education and training for all Americans, and in so doing, ensuring that minority-owned businesses, in particular, can participate fully.

Obviously, broad-based educational initiatives will benefit all Americans, not just minorities. Access to the information infrastructure can help teach skills to both children and adults that will enrich their lives and better prepare them for the job market. Moreover, people who are familiar with the information infrastructure will be better prepared to enter business ventures related to the NII.

NII initiatives directly address education and training concerns. Vice President Gore announced earlier this year that an important goal of the NII initiative is to interconnect every American classroom, health care facility, and library by the year 2000, using public-private partnerships.

To help further this goal, NTIA initiated this year a matching grant program, the Telecommunications and Information Infrastructure Assistance Program (TIIAP), that will help fund demonstration projects by schools, libraries, health care facilities, and other community organizations in support of the NII. Applications for the first round of grants were due on May 12, 1994, and NTIA received approximately 1,050 applications.

Minorities in particular will benefit from the TIIAP, because regulatory policies governing this program include the requirement that special consideration be given to grant applications that involve minorities. Among the grants that may benefit minority communities, Secretary Brown committed the award of at least one grant to an entity in an "empowerment zone" -- that is, an impoverished urban or rural area specially designated by the Department of Housing and Urban Development and Department of Agriculture to receive economic development incentives that will empower the community to improve economic and other conditions for the people within it.

While the TIIAP's goal is to fund projects that demonstrate useful technologies, the grant program will be especially helpful to people in communities that are less able to afford to pursue these projects without federal assistance. Our intent is to ensure that the best education and the best health services can be made available everywhere, not just at institutions with the largest endowments or communities with the most economic or political clout. I want to work to see that places like Howard University, as well as places like Harvard University, are connected to the NII, and that high school students in places like Bedford-Stuyvesant and Belair all have exposure to the NII. Statistical and anecdotal evidence suggest that it may be more important for the child in Bedford-Stuyvesant to have access to information technologies in public institutions such as libraries and schools, because he or she may not have a computer at home. The child in Belair probably will.

In addition, it is also important to note that the grant projects funded through the TIIAP will serve as models for others to emulate. This will be helpful to those without experience in the telecommunications and information areas, including many minority organizations.

Improvements in education and access to technology alone, however, will not be sufficient to address the education and training concerns of minorities that were discussed at the universal service hearings in Los Angeles. Business training is critical for all entrepreneurial ventures and small businesses, including those owned by minorities. Entrepreneurial ventures are always risky, and well-developed public support can make a tremendous difference in whether a business will succeed, thereby creating new jobs, services, and products. While MTDP's primary mission is to increase minority ownership of communications businesses through policy input, MTDP also develops programs that focus on the specialized needs of minorities in the telecommunications industry. Some activities, which predate NII initiatives, also complement the Administration's current NII objectives.

For example, MTDP designed and implemented ComTrain, an executive management training program for new minority broadcast license owners. MTDP began the ComTrain program in June 1990, with funding from MBDA, to promote the viability of minority-owned broadcasting. This program gives new minority broadcast owners an opportunity to spend two to five days at a successful commercial station, working closely with that station's general manager and department heads to study areas of broadcasting that are of specific interest to them. MTDP also provides trainees with information concerning broadcast management and station operation in advance of their training. In addition, ComTrain arranges free consultant services, volunteered from established broadcasters, to trainees once their stations are on the air. Private sector consultants visit the trainees' stations and offer hands-on advice.

Loretta Lever of Little Rock, Arkansas is a good example of a radio station owner who is a ComTrain success story. Ms. Lever, a black woman without broadcast management experience, came to ComTrain equipped with a construction permit from the Federal Communications Commission and the dream of owning a successful radio station. In 1992, through MTDP, Ms. Lever was paired with an Emmis Broadcasting radio station, WDCJ-FM in Boston, Massachusetts, where she received valuable advice on daily operations in the radio business and learned some of the pitfalls of ownership to avoid. Her station, WFXY-FM, has now been on the air for two-and-one-half years.

The ComTrain program has been successful since its inception. Both corporate sponsors and trainees have received

benefits. There are currently 12 volunteer corporate sponsors of ComTrain that provide the training, most of which have participated in the program for all four years of its existence. Since June 1990, ComTrain has trained 19 minority radio or television licensees, and three more are scheduled for training. Nine of these stations are already on the air. Several owners whose stations are on the air have participated in follow-up training involving on-site consultations at the minority-owned stations. While it is the good business judgment and perseverance of the station owners that enabled these stations to go on the air, we believe that ComTrain made a valuable contribution in these cases.

Access to Capital

Another MTDP activity that predates the NII initiatives but nonetheless supports NII objectives is MTDP's ongoing attention to the issue of access to capital by minority telecommunications firms. Access to capital is necessary to increase minority participation in the industry. NTIA is familiar with data from several sources on this subject:

- Capital formation historically has been and remains one of the major economic barriers to full participation in telecommunications markets by small and minority-owned businesses, according to the FCC's Small Business Advisory Committee's 1993 report and other sources.

- "Family, friends, and acquaintances" are the primary source of start-up capital for small minority businesses, according to a 1990 MBDA study. Such sources of capital are not always sufficient and may be adequate only for businesses with small capital requirements. Many businesses that would be part of the NII would require substantially larger amounts of capital than that, and already-established communications businesses could require substantial additional capital to expand into NII-related businesses.

Due to these concerns, MTDP is studying new strategies for capital formation that can be made available to minority communications firms. With the assistance of outside contractors, MTDP is examining methods used to aggregate capital and attempting to develop new strategies for capital development in telecommunications that can contribute to the dialogue in this area. NTIA expects to release a report on these issues later in the year, and to engage in public outreach on this topic.

Reducing barriers to participation in telecommunications markets, such as problems with access to capital, is a key part of the Administration's objective of promoting private investment in the NII. Consistent with this principle, NTIA plans to file comments today with the Small Business Administration in an SBA proceeding that is important to minority firms involving access

to capital. The SBA is proposing to repeal its media policy or "opinion molder" rule, which bars the SBA, with limited exceptions, from making business loans to any applicant in the media business. This rule applies broadly to a variety of enterprises that are or could be part of the NII. Among other things, it precludes SBA financial assistance for small broadcasters, many of which are minority-controlled, as well as small cable companies and programmers.

The original rationale for the media policy rule was that government should not provide financial assistance to media firms in order to avoid governmental interference, or the appearance of governmental interference, with the constitutionally protected freedoms of speech and press. These important concerns can be addressed, however, by basing criteria for financial assistance on whether a firm is credit-worthy, and not with regard to the content of the firm's communications.

MTDP is also extensively involved in outreach to minority communities on capital formation issues. MTDP presents and participates in national and regional conferences on business opportunities and financing for new telecommunications technologies. For example, for the past four years, MTDP has co-sponsored an annual "Fast Starts" conference for entrepreneurs, lenders, and attorneys with New York University Law School and the FCC. These conferences focus on business opportunities in telecommunications. The most recent seminar, held April 27-28, addressed some of the issues involved in developing businesses in Personal Communications Services (PCS) and other technologies expected to flourish as the NII develops.

Recognizing the strong interest of minority firms in PCS, MTDP recently developed a list of businesses interested in strategic partnerships with minority and women entrepreneurs and small businesses interested in PCS. Due to the extensive capital investment necessary to initiate such a new service, strategic partnerships will be critical for minority businesses seeking to become involved in the provision of new technologies. Given the importance of these issues to the United States, NTIA believes it imperative to encourage further minority participation in the NII. Because new technologies and services, such as PCS, are rapidly developing, minorities must have access to the knowledge, the capital, and the opportunity to become involved in the NII through business ownership and as users.

Personal Communications Services

In recent spectrum management legislation, Congress was very clear in mandating that the FCC ensure that "designated entities," including small businesses and minority-owned businesses, are given the opportunity to participate in spectrum-based services, such as PCS. In a September 14, 1993 letter to the FCC, NTIA encouraged the FCC to develop rules to implement

competitive bidding for PCS that will provide greater opportunities for participation by groups currently underrepresented in telecommunications industries. NTIA further noted that the nature and extent of the economic opportunities that will be available in PCS for a wide variety of applicants depends, in important respects, on the allocation decisions made in the proceeding, and NTIA stated that the FCC should keep this in mind in designing its allocation plan for PCS.

NTIA is now reviewing rules released by the FCC on April 20 specifying that mechanisms such as installment payments and bidding credits may be allowed when spectrum licenses are auctioned, and that some blocks of radio spectrum in some services may be set aside specifically for such entities. We note that the FCC is in the process of making decisions regarding the preferences for designated entities that will be available in some specific services. For example, on May 10 the FCC released rules on preferences for narrowband PCS, which could include services such as advanced paging, messaging, and advanced cordless telephones. Such preferences include bidding credits, tax certificates, and installment payments.

These minority preference policies are tools intended to help firms that might otherwise find it difficult to participate in spectrum-related businesses. They reflect the important policy judgment that some entities may have capital disadvantages and may not be able to participate in spectrum-based businesses without preferences.

We agree with the FCC that these competitive bidding rules help promote the goals of economic development and universal access to telecommunications services, consistent with the Administration's principles for further development of the NII. We also note that it is important to us that the government's policy enriches and empowers entire communities, rather than making a few individuals wealthy.

The FCC faces a difficult task in addressing competitive bidding issues, and has appropriately determined that designated entities should be considered separately from the traditional players. NTIA is currently reviewing the Commission's specific policies and determining whether to take positions on any of the rules.

CONCLUSION

In our generation, we can realize the vision that telecommunications technology can enhance the lives of all Americans, not just the privileged. We can ensure that all Americans -- including members of minority groups -- will have access to an advanced information infrastructure. This

Administration is determined to achieve these goals. Under the leadership of Secretary Brown, NTIA will follow through on that commitment. We look forward to working with you as we address these goals together.

Thank you for the opportunity to present these views to you today. I would be pleased to respond to any questions that you may have.